

# Retention Bonus

CareFirst

- ☐ For 60 - 70 Executives Without Contracts
- ☐ Purpose
  - Maintain Stability of Operations
  - Maintain Value of Company
  - Provide Management Support for Transaction
  - Minimize Risk of Talent Defection
- ☐ Construction of Award
  - One-half (1/2) to One (1) times Base Salary based on position
  - Paid Upon Closing
- ☐ Pre-closing Liability



# Retention Bonus

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Title	Target Award	Percent Eligible	Eligible #	Total Payout
Senior Vice President	1.0	100%	8	\$ 1,895,000
Vice President	1.0	100%	23	\$ 3,877,000
Director	0.5	30%	36	\$ 1,697,000
			67	\$ 7,469,000

*Invest in 60 - 70 Key Management Associates  
Critical to Smooth Operations and  
Successful Integration*

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# Executive Compensation Topics

- ☐ Long Term Incentive Plan (LTIP)
  - Deferred Accounts
  - Active Grants
- ☐ Supplemental Executive Retirement Plan (SERP)
- ☐ Change of Control Payment



# Senior Executive Compensation

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- ☐ Components to Executive Compensation
  - Contractual*
  - Long Term Incentive Plan (LTIP)
    - ☐ Deferred Accounts
    - ☐ Active Grants
  - SERP & Qualified Plan
  - Change of Control Payment



# Long Term Incentive Plan (LTIP) CareFirst

## ☐ Features

- 17 Executive Participants (approved by the Committee)
- Grants Paid out After Three Year Performance Period
- Payouts are Made 70% in Cash and 30% Deferred

## ☐ Change of Control Provides for Immediate Payment (Single Trigger)

- Deferred Balances (30%) Previously Earned
- Any Outstanding (non-vested) Grants

## ☐ Pre-closing Liability



# Long Term Incentive Plan (LTIP) **CareFirst**

Participants	#	Deferred Balances	Active Grants	Total Payout
Executives with Contracts*	8	\$ 3,604,398	\$10,970,340	\$ 14,574,738
Executives without Contracts	<u>9</u>	<u>\$ 1,076,949</u>	<u>\$ 3,493,283</u>	<u>\$ 4,570,232</u>
	17	\$ 4,681,347	\$14,463,623	\$ 19,144,970

**Notes:**

All amounts projected to April 1, 2003  
LTI payout projected at \$185

\* including CEO

## *The Plan Requires Payout Upon Change of Control (COC)*

- ☐ *Deferred Accounts (30%) - Previously Earned from Prior Awards*
- ☐ *Active Grants (70%) - Currently in Progress*

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# SERP & Qualified Pension Plans

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- ☐ Accrued Benefits have been Earned Over a Period of Years
- ☐ Contractual Obligation
  - Pay SERP Accrued Balance Upon Termination of Executive at COC
  - Additional "Executive Service" Provided to Three Executives Hired Mid-career with Prior Executive Experience
  - Accrued Qualified Plan Benefit Paid Upon Termination of Executive
- ☐ Current Contract Creates an Incentive for Executive to Leave
- ☐ Utilize Merger Incentive in Exchange for Deferral of SERP Payment
- ☐ Post-closing Liability

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# SERP & Qualified Pension Plans

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## Plan

## Payment Triggers

Accrued Qualified Plan

\$ 1,866,744

Upon Termination of Executive

SERP Benefit

\$ 6,555,000

Double Trigger upon COC/Termination

\$ 8,421,744

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